

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1011-01
Bill No.: HB 671
Subject: Retirement–State; Retirement Systems & Benefits–General
Type: Original
Date: March 2, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Various State Funds	(\$5,047,330)	(\$26,134,009)	(\$26,787,359)
Total Estimated Net Effect on <u>All</u> State Funds	(\$5,047,330)	(\$26,134,009)	(\$26,787,359)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Joint Committee on Public Employee Retirement** indicate that the legislation represents a “substantial proposed change” in future plan benefits. As such, an actuarial cost statement is required prior to final action on the legislation by either legislative body or committee thereof.

Officials with the **Office of Administration** indicate that the affected retirement systems should determine the potential cost of the proposal.

Officials with the **Missouri State Employees' Retirement System** obtained an actuarial cost study for the proposal, which they assume will increase the formula for calculating the future cost-of-living adjustments (COLA's) in the Missouri State Employees' Plan (MSEP) and the Missouri State Employees' Plan 2000 (MSEP 2000) from 80% of any increase in the Consumer Price Index (CPI) to 100% of the CPI increase, up to a 5% maximum.

MOSERS assumes the proposal will require contributions, as a percentage of payroll, to be increased from 11.59% to 12.73%. Based on a projected June 30, 2002 covered \$1.84 billion payroll, the total annual contribution increase will total \$21.0 million.

Officials with the **Highway & Transportation Employees' and Highway Patrol Retirement System (HRS)** assume the proposal will increase the annual COLA to 100% of the CPI increase, instead of the current 80% under the MSEP and the MSEP 2000 for Department of Transportation (MoDOT) and Missouri State Highway Patrol (MSHP) retirees. The system obtained an actuarial report based on the proposal, and assumes annual contributions to the plan will be increased as follows:

MoDOT		\$3,371,440
MSHP		
Non-Uniformed	\$599,400	
Uniformed	<u>1,076,490</u>	
		<u>1,675,890</u>
Total Cost		<u>\$5,047,330</u>

These figures represent an increased contribution rate of 1.48% for MoDOT and non-uniformed MSHP employees (total payroll: \$268 million), and 2.43% for Uniformed MSHP (total payroll: \$44.3 million).

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
VARIOUS STATE FUNDS			
<u>Costs—MoDOT, MSHP</u>			
Increased HRS Contributions	(\$5,047,330)	(\$5,173,513)	(\$5,302,851)
<u>Costs—Various State Agencies</u>			
Increased MOSERS Contributions	\$0	(\$20,960,496)	(\$21,484,508)
ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS	<u>(\$5,047,330)</u>	<u>(\$26,134,009)</u>	<u>(\$26,787,359)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002	FY 2003	FY 2004
	(10 Mo.)		
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill increases the annual cost-of-living allowance for the Highway and Transportation Employees' and Highway Patrol Retirement System and the Missouri State Employees' Retirement System from 80% to 100% of the increase in the Consumer Price Index.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Office of Administration
Missouri State Employees' Retirement System
Highway & Transportation Employees' and Highway Patrol Retirement System



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Director

March 2, 2001